

**CITY OF LAMONI
& LAMONI MUNICIPAL UTILITIES
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

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City of Lamoni

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Foster	Mayor	January 2016
Janelle Anders	Council Member	January 2016
Ruth Smith	Council Member	January 2016
Anthony Crandell	Council Member	January 2018
Sherry Morain	Council Member	January 2018
Roger Potts	Council Member	January 2018
Barb Struck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Patrick Greenwood	City Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Foster	Mayor	January 2018
Anthony Crandell	Council Member	January 2018
Sherry Morain	Council Member	January 2018
Roger Potts	Council Member	January 2018
Jordan Omstead	Council Member	January 2020
Nathan Silver	Council Member	January 2020
Barb Struck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Robert Rolfe	City Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

October 18, 2016

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Independent Auditor's Report
City of Lamoni

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni and Lamoni Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 7 through 12 and 33 through 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

Independent Auditor's Report
City of Lamoni

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 18, 2016 on our consideration of the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and compliance.

Schaefer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2016. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased by \$308,201 from fiscal 2015 to fiscal 2016. Capital grants increased approximately \$267,000.
- Disbursements increased \$362,872, from fiscal 2015 to fiscal 2016. Public safety increased approximately \$75,000, capital projects increased approximately \$236,000, and community and economic development increased approximately \$66,000.
- The City's total cash basis net position decreased by \$178,597 from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities (**the City**) decreased \$24,106 and the cash basis net position of the business type activities (**the Utilities**) decreased by \$154,491.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities (**the City**) include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities (**the Utilities**) include the electric, the gas, the water works, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities (**the Utilities**). The City maintains four Enterprise Funds to provide separate information for the electric, gas, water and sewer funds, all considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$24,106 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 304,621	\$ 289,238
Operating grants, contributions and restricted interest	441,278	472,515
Capital grants, contributions and restricted interest	345,381	78,228
General receipts:		
Property tax	715,411	706,736
Local option sales tax	146,663	129,728
Hotel motel tax	39,868	35,433
Grants and contributions not restricted to specific purposes	1,334	1,275
Commercial/industrial tax replacement	24,600	20,963
Unrestricted interest on investments	1,075	117
Note proceeds	22,203	-
Total receipts	<u>2,042,434</u>	<u>1,734,233</u>
Disbursements:		
Public safety	473,679	398,475
Public works	564,764	508,069
Culture and recreation	283,070	339,483
Community and economic development	106,590	40,026
General government	168,337	148,840
Debt service	116,815	151,664
Capital projects	301,457	65,283
Total disbursements	<u>2,014,712</u>	<u>1,651,840</u>
Change in cash basis net position before transfers	27,722	82,393
Transfers, net	<u>(51,828)</u>	<u>64,670</u>
Change in cash basis net position	(24,106)	147,063
Cash basis net position beginning of year	<u>829,952</u>	<u>682,889</u>
Cash basis net position end of year	<u>\$ 805,846</u>	<u>\$ 829,952</u>

The total receipts for governmental activities increased \$308,201.

The cost of all governmental activities this year was \$2,014,712 compared to \$1,651,840 last year.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$923,432, due to costs paid by those directly benefited from the programs of \$304,621 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$786,659.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service		
Electric	\$ 2,337,278	\$ 2,461,093
Gas	621,008	712,281
Water	460,458	468,537
Sewer	266,677	288,677
Operating grants, contributions and restricted interest	8,000	8,310
General receipts:		
Unrestricted interest on investments	5,707	9,200
Miscellaneous	100,405	144,453
Sale of transmission line	-	146,200
Total receipts	<u>3,799,533</u>	<u>4,238,751</u>
Disbursements:		
Electric	2,259,576	2,954,769
Gas	747,334	797,598
Water	711,894	537,710
Sewer	287,048	275,847
Total disbursements	<u>4,005,852</u>	<u>4,565,924</u>
Change in cash basis net position before transfers	(206,319)	(327,173)
Transfers, net	<u>51,828</u>	<u>(64,670)</u>
Change in cash basis net position	(154,491)	(391,843)
Cash basis net position beginning of year	<u>1,684,605</u>	<u>2,076,448</u>
Cash basis net position end of year	<u>\$ 1,530,114</u>	<u>\$ 1,684,605</u>

Total business type activities receipts for the fiscal year were \$3,799,533 compared to \$4,238,751 last year. The cash balance decreased by \$154,491. Total disbursements for the fiscal year decreased \$560,072.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoni completed the year, its governmental funds reported a combined fund balance of \$805,846, a decrease of \$24,106 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$37,397 an increase of \$6,321 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$189,116, an increase of \$9,317.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$344,256, an increase of \$46,858 from the prior year due to unspent funds.
- The Trust Funds Fund balance was \$182,553, a decrease of \$57,647 from the prior year due to housing rehab projects.
- The Capital Projects Fund balance was (\$80,265), a decrease of \$83,482 due to engineer costs for an airport runway extension project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS (LAMONI MUNICIPAL UTILITIES)

- The Electric Fund balance at the end of the fiscal year was \$658,764, an increase of \$99,848 from the prior year due to closing the night shift.
- The Gas Fund balance at the end of the fiscal year was \$257,258, a decrease of \$121,662 due to warm weather and fewer sales the previous four years. The Utilities increased the service charge in May 2016 to compensate for low volume sales.
- The Water Fund balance at the end of the fiscal year was \$304,787, a decrease of \$113,764 due to an ongoing capital improvement project at the water department.
- The Sewer Fund balance at the end of the fiscal year was \$309,305, a decrease of \$18,913 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget, which includes the City and the Utilities, was amended by \$2,371,154 for receipts and \$1,433,315 for disbursements. Total receipts were approximately \$2,200,000 less than budgeted. After the budget amendment, total disbursements were approximately \$879,000 less than anticipated primarily due to less disbursements for debt service and capital projects. See the budgetary comparison schedule included in the financial statements.

DEBT ADMINISTRATION

At June 30, 2016, the City had approximately \$2,376,000 in bonds and other long-term debt, compared to approximately \$2,677,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
		Year ended June 30,	
		2016	2015
General obligation notes and bonds	\$	270	\$ 380
Revenue bonds and notes (Utility debt)		2,058	2,265
Other debt		26	32
Loan anticipation project note		22	-
	\$	<u>2,376</u>	<u>\$ 2,677</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$270,000 is below its constitutional debt limit of approximately \$3,160,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for various City activities.

The **City** considered the following factors:

- Attempt to keep the levy rate at or below the previous fiscal year, while maintaining/improving the level of service from each department.
- Add MoGas services at the Airport.
- Consolidate the Police Department with City Hall to share services and save money.
- Replace the 2001 Chevy pickup with Road Use Tax Funds to be able to continue snow clearing efficiently.
- Expand the pool season by partnering with Graceland University
- Finish paying off Streets 2007 GO bond.

The **Utilities** considered the strengths and weaknesses of the overall utilities' infrastructure and plans for capital improvement projects to address those needs. Operational expenses are evaluated for gaining efficiencies. Revenues are averaged with the assumption they will change with the economy, population and weather.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa. Contact Emil Segebart, General Manager, 111 South Chestnut Street, Lamoni, Iowa for questions concerning the Lamoni Municipal Utilities' finances.

**CITY OF LAMONI
& LAMONI MUNICIPAL UTILITIES
BASIC FINANCIAL STATEMENTS**

City of Lamoni
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2016

					Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
Program Receipts							
					Governmental	Business Type	
					Activities	Activities	Total
Functions/Programs:	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Governmental activities:							
Public safety	\$ 473,679	6,891	31,826	-	(434,962)	-	(434,962)
Public works	564,764	246,323	304,857	-	(13,584)	-	(13,584)
Culture and recreation	283,070	50,847	40,423	-	(191,800)	-	(191,800)
Community and economic development	106,590	-	49,830	-	(56,760)	-	(56,760)
General government	168,337	560	14,342	-	(153,435)	-	(153,435)
Debt service	116,815	-	-	-	(116,815)	-	(116,815)
Capital projects	301,457	-	-	345,381	43,924	-	43,924
Total governmental activities	2,014,712	304,621	441,278	345,381	(923,432)	-	(923,432)
Business type activities:							
Electric	2,259,576	2,337,278	3,095	-	-	80,797	80,797
Gas	747,334	621,008	99	-	-	(126,227)	(126,227)
Water	711,894	460,458	4,780	-	-	(246,656)	(246,656)
Sewer	287,048	266,677	26	-	-	(20,345)	(20,345)
Total business type activities	4,005,852	3,685,421	8,000	-	-	(312,431)	(312,431)
Total	\$ 6,020,564	3,990,042	449,278	345,381	(923,432)	(312,431)	(1,235,863)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					390,249	-	390,249
Employee benefits					188,042	-	188,042
Debt service					137,120	-	137,120
Local option sales tax					146,663	-	146,663
Hotel motel tax					39,868	-	39,868
Grants and contributions not restricted to specific purpose					1,334	-	1,334
Commercial/industrial tax replacement					24,600	-	24,600
Unrestricted interest on investments					1,075	5,707	6,782
Miscellaneous					-	100,405	100,405
Note proceeds					22,203	-	22,203
Transfers					(51,828)	51,828	-
Total general receipts and transfers					899,326	157,940	1,057,266
Change in cash basis net position					(24,106)	(154,491)	(178,597)
Cash basis net position beginning of year					829,952	1,684,605	2,514,557
Cash basis net position end of year					\$ 805,846	1,530,114	2,335,960
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets	\$ 189,116				-	-	189,116
Local option referendum purposes	344,256				-	-	344,256
Trust purposes	182,553				-	-	182,553
Debt service	-				587,567	-	587,567
Capital projects	11,591				-	-	11,591
Other purposes	132,789				-	-	132,789
Unrestricted	(54,459)				942,547	-	888,088
Total cash basis net position	\$ 805,846				1,530,114	-	2,335,960

See notes to financial statements.

City of Lamoni
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2016

	General	Special Revenue			Capital Projects	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Local Option Sales Tax	Trust Funds			
Receipts:							
Property tax	\$ 366,423	-	-	-	-	325,162	691,585
Other city tax	63,694	-	146,663	-	-	-	210,357
Licenses and permits	5,667	-	-	-	-	-	5,667
Use of money and property	37,961	-	-	461	-	-	38,422
Intergovernmental	35,093	289,595	-	48,606	345,381	10,192	728,867
Charges for service	250,831	-	-	-	-	-	250,831
Miscellaneous	30,473	-	-	64,029	-	-	94,502
Total receipts	790,142	289,595	146,663	113,096	345,381	335,354	2,020,231
Disbursements:							
Operating:							
Public safety	254,583	-	61,970	79,436	-	77,690	473,679
Public works	238,452	280,278	4,850	12	-	41,172	564,764
Culture and recreation	210,321	-	10,785	27,616	-	34,348	283,070
Community and economic development	36,150	-	-	65,286	-	5,154	106,590
General government	128,309	-	3,000	11,630	-	25,398	168,337
Debt service	-	-	-	-	-	116,815	116,815
Capital projects	-	-	-	-	301,457	-	301,457
Total disbursements	867,815	280,278	80,605	183,980	301,457	300,577	2,014,712
Excess (deficiency) of receipts over (under) disbursements	(77,673)	9,317	66,058	(70,884)	43,924	34,777	5,519
Other financing sources (uses):							
Note proceeds	-	-	-	-	22,203	-	22,203
Transfers in	83,994	-	-	13,851	-	19,750	117,595
Transfers out	-	-	(19,200)	(614)	(149,609)	-	(169,423)
Total other financing sources (uses)	83,994	-	(19,200)	13,237	(127,406)	19,750	(29,625)
Change in cash balances	6,321	9,317	46,858	(57,647)	(83,482)	54,527	(24,106)
Cash balances beginning of year	31,076	179,799	297,398	240,200	3,217	78,262	829,952
Cash balances end of year	\$ 37,397	189,116	344,256	182,553	(80,265)	132,789	805,846
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	189,116	-	-	-	-	189,116
Local option referendum purposes	-	-	344,256	-	-	-	344,256
Trust purposes	-	-	-	182,553	-	-	182,553
Capital projects	-	-	-	-	11,591	-	11,591
Other purposes	-	-	-	-	-	132,789	132,789
Assigned for capital projects	24,476	-	-	-	-	-	24,476
Unassigned	12,921	-	-	-	(91,856)	-	(78,935)
Total cash basis fund balances	\$ 37,397	189,116	344,256	182,553	(80,265)	132,789	805,846

See notes to financial statements.

City of Lamoni – Lamoni Municipal Utilities
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2016

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,337,278	621,008	460,458	266,677	3,685,421
Operating disbursements:					
Business type activities	<u>2,036,589</u>	<u>742,333</u>	<u>364,872</u>	<u>218,139</u>	<u>3,361,933</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	300,689	(121,325)	95,586	48,538	323,488
Non-operating receipts (disbursements):					
Interest on investments	2,873	1,299	1,185	350	5,707
Rent	3,095	99	4,780	26	8,000
Miscellaneous	93,558	3,266	2,499	1,082	100,405
Debt service	(200,330)	-	(19,080)	(68,120)	(287,530)
Capital outlay	<u>(22,657)</u>	<u>(5,001)</u>	<u>(327,942)</u>	<u>(789)</u>	<u>(356,389)</u>
Total non-operating receipts (disbursements)	<u>(123,461)</u>	<u>(337)</u>	<u>(338,558)</u>	<u>(67,451)</u>	<u>(529,807)</u>
Excess (deficiency) of receipts over (under) disbursements	177,228	(121,662)	(242,972)	(18,913)	(206,319)
Other financing sources (uses):					
Transfers in	-	-	148,958	-	148,958
Transfers out	<u>(77,380)</u>	<u>-</u>	<u>(19,750)</u>	<u>-</u>	<u>(97,130)</u>
Total other financing sources (uses)	<u>(77,380)</u>	<u>-</u>	<u>129,208</u>	<u>-</u>	<u>51,828</u>
Change in cash balances	99,848	(121,662)	(113,764)	(18,913)	(154,491)
Cash balances beginning of year	<u>558,916</u>	<u>378,920</u>	<u>418,551</u>	<u>328,218</u>	<u>1,684,605</u>
Cash balances end of year	<u>\$ 658,764</u>	<u>257,258</u>	<u>304,787</u>	<u>309,305</u>	<u>1,530,114</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ 386,823	-	195,000	5,744	587,567
Unrestricted	<u>271,941</u>	<u>257,258</u>	<u>109,787</u>	<u>303,561</u>	<u>942,547</u>
Total cash basis fund balances	<u>\$ 658,764</u>	<u>257,258</u>	<u>304,787</u>	<u>309,305</u>	<u>1,530,114</u>

See notes to financial statements.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also manages the Lamoni Municipal Utilities (the Utilities) which provide electric, gas, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Decatur County Assessor's Conference Board, the Decatur County Emergency Management Commission, and the Wayne- Ringgold-Decatur County Solid Waste Management Commission and Southern Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position is often subject to constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund accounts for the local option sales tax received to be used for property tax relief, public safety and culture and recreation.

The Trust Funds Fund is used to account for resources from grantors who have specified how the funds should be spent.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

Lamoni Municipal Utilities reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the delivery of electricity to the citizens and businesses of the City.

The Enterprise, Gas Fund accounts for the delivery of natural gas to the citizens and businesses of the City.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public works and community and economic development functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2014, to compute the amounts which became liens on property on July 1, 2015. These taxes were due and payable in two installments on September 30, 2015 and March 31, 2016, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (2) Cash and Pooled Investments - Continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in the bank and certificates of deposit totaled \$2,335,960 at June 30, 2016.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation and other debt, (the City's) and revenue debt (the Utilities') are as follows:

Year Ending June 30,	General Obligation Bonds & Notes		Revenue Bonds & Notes		Other Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 111,594	7,577	210,000	74,733	6,000	-	327,594	82,310
2018	53,555	3,637	217,000	68,399	6,000	-	276,555	72,036
2019	55,546	2,297	225,000	61,569	6,000	-	286,546	63,866
2020	49,472	710	238,000	54,193	6,000	-	293,472	54,903
2021	-	-	246,000	46,133	2,500	-	248,500	46,133
2022-2026	-	-	848,000	101,184	-	-	848,000	101,184
2027-2030	-	-	74,000	5,610	-	-	74,000	5,610
	<u>\$ 270,167</u>	<u>14,221</u>	<u>2,058,000</u>	<u>411,821</u>	<u>26,500</u>	<u>-</u>	<u>2,354,667</u>	<u>426,042</u>

Interest costs paid during the year ended June 30, 2016 totaled \$92,137. The **City** paid \$11,607 and the **Utilities** paid \$80,530.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. The City has a general obligation debt limit of approximately \$3,160,000 which was not exceeded during the year ended June 30, 2016.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (3) Bonds and Notes Payable – Continued

Revenue Notes

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$293,000 issued in January 2010. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$277,760. For the current year, principal and interest paid and total customer net receipts were \$19,080 and \$95,586, respectively.

The Utilities have pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$429,396. For the current year, principal and interest paid and total customer net receipts were \$68,120 and \$48,538, respectively.

The Utilities have pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$1,762,665. For the current year, principal and interest payments and total customer net receipts were \$200,330 and \$300,689, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account are insufficient to pay such principal and interest when due.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (3) Bonds and Notes Payable – Continued

- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts. This account was used for improvements during the year ended June 30, 2016.
- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (3) Bonds and Notes Payable – Continued

The resolution providing for the issuance of the electric revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$202,985 shall be deposited and maintained in an electric revenue note reserve account. The account is restricted for the purpose of paying the principal and interest payments whenever, for any reason, the funds in the electric revenue note sinking account is insufficient to pay such principal and interest when due.
- d) \$150,000 shall be deposited and maintained in an electric revenue note improvement and extension account. This account is restricted for the purpose of paying any improvement, extension or repair to the system, or for correcting any deficiencies in the sinking and reserve accounts.
- e) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

Lamoni Municipal Utilities is in compliance with the provisions of the revenue bond resolutions above.

NOTE (4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (4) Pension Plan – Continued

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 % for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (4) Pension Plan – Continued

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$95,142. (The **City's** portion was \$38,577 and the **Utilities'** portion was \$56,565.)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled \$618,214. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0125132%, which was a decrease of 0.000765% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$59,090, \$139,966 and \$178,585, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	(effective June 30, 2014)	3.00% per annum.
Rates of salary increase	(effective June 30, 2010)	4.00 to 17.00% average, including inflation.
Long-term investment rate of return	(effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth	(effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (4) Pension Plan – Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 1,174,481	\$ 618,244	\$ 148,801

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's and the Utilities' approximate liability for earned vacation and sick leave payable to employees at June 30, 2016 are as follows:

Type of Benefit	Amount
Vacation	\$ 57,500
Sick leave	169,500
	<u>\$ 227,000</u>

Of this amount the **City** is liable for \$74,000 primarily relating to the General Fund and the **Utilities** are liable for \$153,000. This liability is computed on rates of pay effective as of June 30, 2016.

NOTE (6) Other Postemployment Benefits (OPEB)

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 10 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$450 for single coverage and \$1,037 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2016 there were no plan members eligible for benefits.

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 14 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (6) Other Postemployment Benefits (OPEB) - Continued

Utility Employee Benefits - Continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$539 for single coverage and \$1,243 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2016, there were no plan members eligible for benefits.

NOTE (7) Commitment – Colony Housing Authority

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2016 is \$26,500.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Local Option Sales Tax	\$ 6,000
	Trust Funds	614
	Proprietary	
	Electric	<u>77,380</u>
		83,994
Special Revenue	Special Revenue	
Trust Funds	Local Option Sales Tax	13,200
	Capital Projects	<u>651</u>
		13,851
Debt Service	Proprietary	
	Water	19,750
Proprietary		
Sewer	Capital Projects	<u>148,958</u>
		<u>\$ 266,553</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (9) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Wayne- Ringgold- Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2016, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$23,240. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

Completed financial statements for the Commission can be obtained from the Commission.

NOTE (11) Deficit Balance

The Capital Projects Fund had a deficit balance of \$80,265 at June 30, 2016. The deficit balance was a result of project costs incurred prior to the availability of funds. The deficit will be eliminated with grant reimbursements and interim financing.

NOTE (12) Conduit Debt Obligation

In November 2013, the City issued \$9.5 million in refunding bonds for Graceland University. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenues to be received from the University. The bonds do not constitute a debt, or pledge of the faith and credit of the City, and accordingly, have not been reported in the accompanying financial statements. The balance outstanding on the bonds at June 30, 2016 is \$9.5 million.

NOTE (13) Project Anticipation Loan Agreement

The City entered into an interim financing agreement for an airport expansion project to be termed out with USDA permanent financing upon completion. The loan is a \$444,060 multiple advance, draw down note dated November 3, 2015, with interest at 3.75%, payable November 3, 2020. The balance on the note was \$22,203 at June 30, 2016.

City of Lamoni
Notes to Financial Statements
June 30, 2016

NOTE (14) Subsequent Events

In June 2016, the Council approved \$1,345,000 electric revenue refunding bonds, that were subsequently issued.

NOTE (15) New Accounting Pronouncement

City of Lamoni adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 691,585	-	691,585	694,300	694,300	(2,715)
Other city tax	210,357	-	210,357	160,000	160,000	50,357
Licenses and permits	5,667	-	5,667	19,890	19,890	(14,223)
Use of money and property	38,422	13,707	52,129	37,415	100,000	(47,871)
Intergovernmental	728,867	-	728,867	225,484	1,098,545	(369,678)
Charges for service	250,831	3,685,421	3,936,252	4,364,674	5,082,428	(1,146,176)
Miscellaneous	94,502	100,405	194,907	138,628	856,382	(661,475)
Total receipts	<u>2,020,231</u>	<u>3,799,533</u>	<u>5,819,764</u>	<u>5,640,391</u>	<u>8,011,545</u>	<u>(2,191,781)</u>
Disbursements						
Public safety	473,679	-	473,679	231,172	482,818	9,139
Public works	564,764	-	564,764	447,560	524,448	(40,316)
Culture and recreation	283,070	-	283,070	245,916	285,777	2,707
Community and economic development	106,590	-	106,590	30,100	70,062	(36,528)
General government	168,337	-	168,337	25,251	172,851	4,514
Debt service	116,815	-	116,815	444,036	444,036	327,221
Capital projects	301,457	-	301,457	-	727,500	426,043
Business type activities	-	4,005,852	4,005,852	4,042,387	4,192,245	186,393
Total disbursements	<u>2,014,712</u>	<u>4,005,852</u>	<u>6,020,564</u>	<u>5,466,422</u>	<u>6,899,737</u>	<u>879,173</u>
Excess (deficiency) of receipts over (under) disbursements	5,519	(206,319)	(200,800)	173,969	1,111,808	(1,312,608)
Other financing sources, net:	<u>(29,625)</u>	<u>51,828</u>	<u>22,203</u>	<u>-</u>	<u>502,839</u>	<u>(480,636)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(24,106)	(154,491)	(178,597)	173,969	1,614,647	(1,793,244)
Balances beginning of year	<u>829,952</u>	<u>1,684,605</u>	<u>2,514,557</u>	<u>3,007,290</u>	<u>3,007,290</u>	<u>(492,733)</u>
Balances end of year	<u>\$ 805,846</u>	<u>1,530,114</u>	<u>2,335,960</u>	<u>3,181,259</u>	<u>4,621,937</u>	<u>(2,285,977)</u>

See accompanying independent auditors' report.
City of Lamoni
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,433,315. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amended amounts budgeted in the public works and community and economic development functions.

City of Lamoni
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)
Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.012513%	0.013278%
City's proportionate share of the net pension liability	\$ 618	527
City's covered-employee payroll	\$ 1027	1066
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.18%	49.44%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report.

City of Lamoni
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Eight Years
(In Thousands)
Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 95	93	97	90	85	72	69	62
Contributions in relation to the statutorily required contribution	<u>95</u>	<u>93</u>	<u>97</u>	<u>90</u>	<u>85</u>	<u>72</u>	<u>69</u>	<u>62</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,048	1,027	1,066	1,023	1,022	986	997	941
Contributions as a percentage of covered-employee payroll	9.06%	9.06%	9.10%	8.80%	8.32%	7.30%	6.92%	6.59%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report.

City of Lamoni
Notes to Other Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Lamoni
Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2016

	Special Revenue			
		Urban		
	Employee	Renewal	Debt	
	Benefits	Tax Increment	Service	Total
Receipts:				
Property tax	\$ 188,042	-	137,120	325,162
Intergovernmental	4,539	-	5,653	10,192
Total receipts	192,581	-	142,773	335,354
Disbursements:				
Operating:				
Public safety	77,690	-	-	77,690
Public works	41,172	-	-	41,172
Culture and recreation	34,348	-	-	34,348
Community and economic development	-	5,154	-	5,154
General government	25,398	-	-	25,398
Debt service	-	-	116,815	116,815
Total disbursements	178,608	5,154	116,815	300,577
Excess (deficiency) of receipts over (under) disbursements	13,973	(5,154)	25,958	34,777
Other financing sources:				
Transfers in	-	-	19,750	19,750
Total other financing sources	-	-	19,750	19,750
Change in cash balances	13,973	(5,154)	45,708	54,527
Cash balances beginning of year	83,322	37,703	(42,763)	78,262
Cash balances end of year	\$ 97,295	32,549	2,945	132,789
Cash Basis Fund Balances				
Restricted for other purposes	\$ 97,295	32,549	2,945	132,789

See accompanying independent auditors' report.

City of Lamoni
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2016

	Capital Projects				
	Street	Sewer	Trail	Airport	Total
Receipts:					
Intergovernmental	\$ -	148,958	-	196,423	345,381
Total receipts	-	148,958	-	196,423	345,381
Disbursements:					
Capital projects	-	-	-	301,457	301,457
Total disbursements	-	-	-	301,457	301,457
Excess (deficiency) of receipts over (under) disbursements	-	148,958	-	(105,034)	43,924
Other financing sources (uses)					
Note proceeds	-	-	-	22,203	22,203
Transfers out	(651)	(148,958)	-	-	(149,609)
Total other financing sources (uses)	(651)	(148,958)	-	22,203	(127,406)
Change in cash balances	(651)	-	-	(82,831)	(83,482)
Cash balances beginning of year	6,571	-	5,671	(9,025)	3,217
Cash balances end of year	\$ 5,920	-	5,671	(91,856)	(80,265)
Cash Basis Fund Balances					
Restricted for capital projects	\$ 5,920	-	5,671	-	11,591
Unassigned	-	-	-	(91,856)	(91,856)
Total cash basis fund balances	\$ 5,920	-	5,671	(91,856)	(80,265)

See accompanying independent auditors' report.

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Water improvement	Mar 1, 2001	1.75% \$	298,000 \$	100,000	-	18,000	82,000	1,750	-
Street improvement	Oct 15, 2007	4.45-4.50%	385,000	100,000	-	50,000	50,000	4,475	-
Sewer improvement	May 23, 2013	2.93%	310,000	159,758	-	31,591	128,167	4,499	-
Equipment	Nov 19, 2013	3.95%	30,000	20,000	-	10,000	10,000	395	-
			\$	379,758	-	109,591	270,167	11,119	-
Revenue bonds and notes:									
Water	Jan 27, 2010	1.75% \$	293,000 \$	236,000	-	12,000	224,000	7,080	-
Sewer	Jun 30, 2002	1.75%	514,000	216,000	-	28,000	188,000	3,780	-
Sewer	Oct 15, 2002	1.75%	594,000	248,000	-	32,000	216,000	4,340	-
Electric	June 30, 2010	3.25-4.65%	2,200,000	1,565,000	-	135,000	1,430,000	65,330	-
			\$	2,265,000	-	207,000	2,058,000	80,530	-
Other debt									
Crown colony contract	Oct 1, 1980	0.00% \$	240,000 \$	32,500	-	6,000	26,500	-	-
Loan Anticipation Project Note									
Airport	Nov 3, 2015	3.75%	444,060 \$	-	22,203	-	22,203	488	-

See accompanying independent auditors' report.

City of Lamoni and Lamoni Municipal Utilities
Bond and Note Maturities
June 30, 2016

General Obligation Bonds and Notes										
Year Ending June 30,	Water Improvement		Street Improvement		Sewer Improvement		Equipment			
	Issued Mar 1, 2001	Interest	Issued Oct 15, 2007	Interest	Issued May 23, 2013	Interest	Issued Nov 19, 2013	Interest		
	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2017	19,000	1.75%	50,000	4.50%	32,594	2.93%	10,000	3.95%	111,594	
2018	20,000	1.75%	-	-	33,555	2.93%	-	-	53,555	
2019	21,000	1.75%	-	-	34,546	2.93%	-	-	55,546	
2020	22,000	1.75%	-	-	27,472	2.93%	-	-	49,472	
	<u>\$ 82,000</u>		<u>\$ 50,000</u>		<u>\$ 128,167</u>		<u>\$ 10,000</u>		<u>\$ 270,167</u>	

Revenue Bonds and Notes										
Year Ending June 30,	Sewer		Water		Electric					
	Issued Jun 30, 2002	Interest	Issued Oct 15, 2002	Interest	Issued Jan 27, 2010	Interest	Issued June 30, 2010	Interest		
	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2017	29,000	1.75%	33,000	1.75%	13,000	3.60%	135,000	0.00%	210,000	6,000
2018	30,000	1.75%	34,000	1.75%	13,000	3.80%	140,000	0.00%	217,000	6,000
2019	31,000	1.75%	35,000	1.75%	14,000	4.00%	145,000	0.00%	225,000	6,000
2020	32,000	1.75%	37,000	1.75%	14,000	4.15%	155,000	0.00%	238,000	6,000
2021	33,000	1.75%	38,000	1.75%	15,000	4.30%	160,000	0.00%	246,000	2,500
2022	33,000	1.75%	39,000	1.75%	15,000	4.40%	165,000	-	252,000	-
2023	-	-	-	-	16,000	4.50%	170,000	-	186,000	-
2024	-	-	-	-	16,000	4.65%	175,000	-	191,000	-
2025	-	-	-	-	17,000	4.65%	185,000	-	202,000	-
2026	-	-	-	-	17,000	-	-	-	17,000	-
2027	-	-	-	-	18,000	-	-	-	18,000	-
2028	-	-	-	-	18,000	-	-	-	18,000	-
2029	-	-	-	-	19,000	-	-	-	19,000	-
2030	-	-	-	-	19,000	-	-	-	19,000	-
	<u>\$ 188,000</u>		<u>\$ 216,000</u>		<u>\$ 224,000</u>		<u>\$ 1,430,000</u>		<u>\$ 2,058,000</u>	
									<u>\$ 26,500</u>	

See accompanying independent auditors' report.

City of Lamoni
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Receipts:										
Property tax	\$ 691,585	711,379	678,267	666,970	715,520	673,979	609,167	585,581	522,565	528,850
Tax increment financing collections	-	-	25,189	24,090	24,712	28,905	27,026	28,035	40,922	37,754
Other city tax	210,357	181,481	133,807	140,328	146,118	128,294	135,169	124,125	132,198	122,015
Licenses and permits	5,667	1,095	2,720	1,830	1,300	941	1,275	1,330	17,848	2,923
Use of money and property	38,422	37,067	38,372	15,246	16,324	10,587	13,468	15,705	14,939	15,587
Intergovernmental	728,867	410,386	799,886	716,831	307,034	375,204	533,304	581,540	281,586	296,819
Charges for service	250,831	241,951	252,881	261,177	248,752	236,843	209,887	215,379	190,563	190,790
Miscellaneous	94,502	150,874	242,389	150,448	96,866	115,101	93,101	76,969	167,901	207,189
Total	\$ 2,020,231	1,734,233	2,173,511	1,976,920	1,556,626	1,569,854	1,622,397	1,628,664	1,368,522	1,401,927
Disbursements:										
Operating:										
Public safety	\$ 473,679	398,475	882,193	375,098	436,667	338,027	302,133	326,683	232,799	282,443
Public works	564,764	508,069	586,626	962,599	583,188	550,816	541,905	483,886	499,136	421,147
Culture and recreation	283,070	339,483	404,554	292,263	256,184	286,084	278,841	261,384	226,990	197,735
Community and economic development	106,590	40,026	156,268	46,439	40,073	64,046	27,035	64,795	137,163	95,912
General government	168,337	148,840	170,990	132,623	160,729	147,623	146,803	158,924	138,969	126,163
Debt service	116,815	151,664	248,505	117,873	27,040	203,290	205,571	201,079	144,511	343,423
Capital projects	301,457	65,283	181,622	-	1,263	400	162,113	426,256	330,787	123,014
Total	\$ 2,014,712	1,651,840	2,630,758	1,926,895	1,505,144	1,590,286	1,664,401	1,923,007	1,710,355	1,589,837

See accompanying independent auditors' report.

City of Lamoni



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

October 18, 2016

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2016, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 18, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepting accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lamoni's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Lamoni's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-16 that we consider to be a significant deficiency.

Continued...

City of Lamoni
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Lamoni's Responses to Findings

City of Lamoni's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Lamoni's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni and Lamoni Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Documentation of Approval of Claims

Comment – We noted documentation of Council approval was missing for 15 out of 70 claims tested. We noted this was because pages were missing for claims approved by the Council and filed in the minute book.

Recommendation – Procedures should be reviewed to make sure all claims that were approved by the Council are properly filed in the minute book.

Response – We will review our procedures and implement changes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget

Comment – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works and community and economic development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We estimate to the best of our ability the amounts that need to be amended. The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-16 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-16 Travel Expense

We noted no disbursements of City money for travel expenses of spouses of City officials or employees.

II-D-16 Business Transactions

We noted no business transactions between the City and City officials, or employees.

II-E-16 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting (Continued):

II-F-16 Council Minutes

Comment – As previously noted, the listings of claims approved by the Council were missing pages when posted to the minutes' book.

In addition, annual salary increases for all City employees were approved based on a percentage and the actual approved wages were not documented in the City Council minutes.

The City went into closed session on June 30, 2016. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should review procedures to make sure all claims approved by the Council are properly filed. A payroll resolution listing approved employee salaries or rates of pay should be passed by the Council at time of changes. The City should comply with Chapter 21 of the Code of Iowa.

Response – We will review our procedures to file claims approved by the Council. We will pass payroll resolutions for changes in pay rates. We will also comply with the Code requirements for closed sessions.

Conclusion – Response accepted.

II-G-16 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-16 Revenue Bonds and Notes

No instances of noncompliance with the revenue bonds and notes resolutions were noted.

II-I-16 Financial Condition

Comment - The Capital Projects Fund had a deficit balance of \$80,265 at June 30, 2016.

Recommendation –The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The deficit in the Capital Projects – Airport Account will be eliminated with grant reimbursements and interim financing.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting (Continued):

II-J-16 Excess Balance

Comment – The balance in the Special Revenue Fund – Local Option Sales Tax Account at June 30, 2016, was in excess of the fund's disbursements during the year.

Recommendation – The City should determine the necessity of maintaining the substantial balance.

Response – We are in the process of implementing a capital improvement plan that will use the LOST funds.

Conclusion – Response accepted.

II-K-16 Excess Tax Increment Financing Balance

Comment – The City's TIF balance includes funds collected and remitted to the City for property taxes assessed on a property in which the business had closed.

Recommendation – Chapter 403.19 requires the City to certify any reduction in the TIF debt for any reason to the County Auditor. The City should complete Form 3 of the TIF Indebtedness Certification to reduce the TIF indebtedness outstanding for cash on hand at June 30, 2016.

Response – We plan on using the funds on hand for new tax rebates in the district.

Conclusion – The new debt should be certified and then the City should decertify for the amount of the cash balance on hand.

II-L-16 Urban Renewal Annual Report

The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-M-16 Inactive Capital Projects

Comment – The Capital Projects – Street and Trail Funds are inactive.

Recommendation – The City should make the appropriate transfer to close the funds.

Response – The Trails Fund includes monies for repairs from a semi driving on the trail and cracking the concrete. These funds will be used over the course of many years, as the concrete deteriorates. The Street Fund is FEMA money paid out to us for the ice storm damages. We will use when a need arises.

Conclusion – Response accepted.